

Message Text

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ACTION NEA-10

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FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 3552

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FROM THE AMBASSADOR

PLEASE PASS EXIMBANK FOR DEBRUL

E.O. 11652: N/A

TAGS: BEXP, EFIN, TS

SUBJECT: SOUSSE POWER PROJECT - WESTINGHOUSE FINANCING

REF: 75 TUNIS 7378, TUNIS 2608

1. DURING MY CONSULTATIONS PRIOR TO COMING TO TUNIS, WE HAD THE OPPORTUNITY TO DISCUSS THE WESTINGHOUSE BID ON A POTENTIAL \$200 MILLION POWER PROJECT FOR THE STATE POWER COMPANY (STEG) IN SOUSSE. I ALSO DISCUSSED THIS PROJECT WITH SEVERAL OFFICIALS OF WESTINGHOUSE AND WAS IMPRESSED THEN, AND HAVE BEEN IMPRESSED SINCE ARRIVING HERE, WITH THE SERIOUS EFFORT THEY ARE MAKING TO WIN THIS BID. ON TECHNICAL GROUNDS, I UNDERSTAND THEY ARE HIGHLY COMPETITIVE. IT WOULD BE A REAL BOOST TO U.S. COMMERCIAL EFFORTS IN TUNISIA SHOULD WE BE ABLE TO LAND THIS ONE FOR A U.S. COMPANY.

2. ONE SERIOUS CONCERN REMAINS OUTSTANDING WHICH DETRIMENTALLY AFFECTS THE CHANCES OF WESTINGHOUSE -- NAMELY, FINANCING. AS YOU KNOW FROM OUR PREVIOUS REPORTING ON THIS PROJECT (REFTELS), THE FRENCH

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ARE OFFERING A MIXED CONCESSIONAL/COMMERCIAL

FINANCING PACKAGE IN SUPPORT OF THE FRENCH COMPANY BIDS. OUR OFFER, ACCORDING TO THE COPY OF THE P.C. I HAVE RECEIVED, IS 9 PERCENT FOR THE EXIM PORTION WITH A 7.5 YEAR EFFECTIVE REPAYMENT PERIOD. THESE ARE TOUGH TERMS EVEN GIVEN THE LIMITED FLEXIBILITY AVAILABLE TO EXIM, AND ARE UNLIKELY TO BE COMPETITIVE GIVEN THE EXPECTED FRENCH TERMS, AS WELL AS ATTRACTIVE OFFERS REPORTED FROM OTHER SUPPLIERS (TUNIS 2608).

3. CHARLES MURPHY AND JIM JACKMAN OF WESTINGHOUSE HAVE RECENTLY INDICATED TO US THAT STEG HAS REQUESTED A FOLLOW-UP QUESTIONNAIRE ON THE BID CHARACTERISTICS OF ALL BIDDERS WHO SUBMITTED COMPLETE BIDS. FYI: THE G.E. BID WAS NOT COMPLETE AND APPEARS TO HAVE BEEN DISCARDED. END FYI. STEG INFORMALLY INDICATED THAT THE REPLIES TO THIS QUESTIONNAIRE WOULD PROVIDE THE LAST OPPORTUNITY TO MAKE CHANGES IN THE ORIGINAL BID, INCLUDING IMPROVEMENTS IN CREDIT TERMS. THE QUESTIONNAIRE IS DUE AUGUST 5.

4. GIVEN THE OPPORTUNITY PRESENTED BY THIS PROJECT, I REQUEST THAT EXIM RECONSIDER THE TERMS OF THE EXISTING PC AND SEEK THEREBY TO MAKE THE OVERALL WESTINGHOUSE BID MORE ATTRACTIVE. EITHER A LOWER INTEREST RATE OR LONGER REPAYMENT PERIOD WOULD BE HELPFUL ALTHOUGH SOME POSITIVE IMPROVEMENT ON EACH WOULD BE MOST DESIRABLE. I REALIZE WE CANNOT MATCH TERMS WITH FRENCH MIXED CREDITS, BUT I HOPE WE CAN OFFER OUR BEST POSSIBILITY WHEN NEEDED FOR SUCH AN ATTRACTIVE PROJECT IN A COUNTRY OF PARTICULAR INTEREST FOR EXIM. MULCAHY

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Margaret P. Grafeld
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